

DECLARATION

"STRATEGIC RESPONSES BY FIRMS FACING CHANGED
COMPETITIVE CONDITIONS:
THE CASE OF EAST AFRICAN BREWERIES LIMITED"

BY

Signed: George Muturi Date: 3-7-2000
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This management project has been submitted for examination with my approval
as university supervisor.
A Management Research Project Submitted in Partial Fulfilment of the
Requirements for the Degree of Master of Business and Administration.

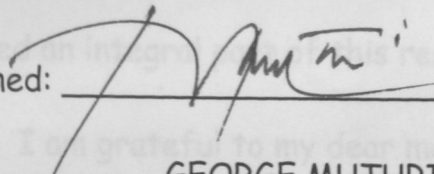
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July, 2000

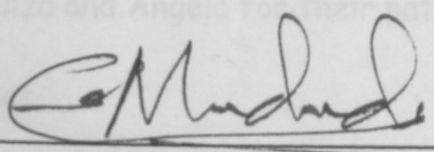
DECLARATION

This management project is my original work and has not been presented for a degree in any other university

Signed:  Date: 3-7-2000

GEORGE MUTURI NJAU

This management project has been submitted for examination with my approval as university supervisor.

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ELIUD OMONDI MUDUDA

I would like to recognise **ACKNOWLEDGEMENTS** by my former workmate

Hannah Waweru who untiringly kept on the computer to revise the document over

and on. A word of thanks to the University supervisors, Mr. E.O. Mududa and Mr. J. K. Maalu, for their guidance, criticisms and inspiration; this project is the ultimate result. My thanks are also due to the management executives at East African Breweries Limited for their cooperation in completing the questionnaires which formed an integral part of this research project.

I am grateful to my dear mother who has brought us through a long and a difficult way, who to this date understands the importance of leadership. Thanks are also due to my brother Joe, who still believes in my abilities, as well as my sisters, the late Margaret, Hannah, Selina and Mary.

I am also grateful to my wife Susan Ndaani and our three daughters- Emmah, Luiza and Angela for their patience as I took their rightful time preparing this project.

I would like to recognise the secretarial role played by my former workmate Hannah Waweru who untiringly kept on the computer to revise the document over and over again. *Hannah Waweru - who started it all several years ago.*

To my wife I wish to acknowledge the encouragement and advice of my MBA colleagues who were always available with useful suggestions. I am sincerely grateful to all those other people who assisted me in various ways to make the project a success.

Finally, except for GOD ALMIGHTY'S grace through our LORD and saviour JESUS CHRIST, nothing would have been, thus glory and honour be unto Him forever more.

All errors and omissions are mine and mine alone.

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The objectives of the study were:

To determine the changes that have occurred in the beer industry with the onset of the liberalisation.

To determine what adjustments in products, prices, promotion, distribution, costs structures, market research, staff development and market predisposition the firm has adopted.

Primary data was collected using open and closed-ended questionnaires from executives of East African Breweries Limited.

The data was thereafter analysed using tables, mean scores and frequencies. The analysis revealed that EABL has made various changes in its principal brewing and bottling technologies by investing in new equipment so as to make competitive products. The company has also changed the basic products by adding new features.

ABSTRACT

Political and economic reforms are sweeping the whole world affecting the Soviet Union, Germany, Eastern Europe, Asia, Latin America and Africa. Such reforms have created a fundamental change in the environment in which firms operate. An obvious manifestation of such changes is the liberalisation of trade. Such liberalisation has meant that local firms in Kenya have to contend with unbearable competitive pressures from the resilient global companies. The study set out to document the strategic responses adopted by East African Breweries Limited (EABL) to environmental turbulence.

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Initiatives to penetrate new market niches were also revealed. The firm's philosophies are now more specific and are directed towards enhancing excellence in customer service. EABL has made changes in the ranking of their goals. Survival now ranks as the most important goal, while before liberalisation, profitability was the most important. The various policies have also been changed.

The marketing policy currently advocates for more aggressive approach. The strategic variables have also been adjusted either moderately or significantly. The most adjusted strategies are those of product and promotion. The products have been significantly improved in quality, features and variety. Advertising expenditures have been dramatically increased. In market research the firm has significantly increased information gathering on competitors and customer needs. Efforts are directed towards satisfying the identified customer needs.

In cost structure strategies, the study revealed significant improvement in technology and capital investment in information technology. The other strategies such as pricing and distribution have been moderately adjusted.

By undertaking various strategic responses, EABL was able to not only defend its market share but also to increase its profitability and efficiency. The success of EABL is a learning experience for local companies facing or about to face the effects of changed competitive conditions.

CHAPTER I

1.0 INTRODUCTION

1.1 BACKGROUND

The external environment forms a part of systems that enter into a relationship with any firm, the firm itself being a system on its own. Firms are social entities that are goal directed, deliberately structured activity system with identifiable boundaries (Bedeian,1980). The achievements of a firm's goals are only possible through appropriate interaction with the environment.

The environment is composed of political, legal, social, economic, customer, technological and competitive factors. In the last five to ten years political and economic environments have changed considerably. This has led to the opening up of markets of most industries. There was also a reduction in trade restrictions.

As a result, the competitive conditions in various industries, including the beer industry has increased considerably. It is this change in these competitive forces in the environmental factors that the researcher found interesting to pursue in the beer industry.

The firm's interaction with such environmental factors is essential for survival. For this interaction to occur, the firm must be an open system. The organisation has to find and obtain needed resources, interpret and act on the environmental

changes, dispose of outputs, control and co-ordinate internal activities in the face of environmental turbulence and uncertainty if it is to be effective. (1994).

Aldrich and Mindlins (1980) noted the whole organisation should be viewed as a system - as a set of inter-related elements that acquires inputs (such as employees, raw materials, information and financial resources) from the environment then transforms them into something of value (output) that can be discharged back into the environment.

The transformation process most importantly takes into consideration the competitive forces. These competitive forces determine the state of competition in an industry (Porter, 1998). Such forces are classified into five basic components. The bargaining power of suppliers, the bargaining power of buyers, threat of new entrants, threat of substitute products or services and rivalry among existing firms form these forces.

Hofer and Schendel (1978) observed that for firms to be effective and hence successful, they should respond appropriately to changes that occur in their respective environment. The environment in which firms operate in Kenya has changed due to the on-going economic and political reforms.

The structural adjustment programs (SAPS) recommended by the World Bank and the International Monetary Fund (IMF) triggered off the series of economic reforms. The programs were started around 1985, though in 1991, Kenya was pressurised to undertake reforms as a condition for quick

disbursement of financial aid from the two bodies when the country was faced with serious balance of payment problems (World Bank Report,1994).

The S.A.Ps were meant to arrest economic decline and stimulate growth. The programs encouraged:

- Establishment of a market driven exchange rate system.
- Improvement of financial sector policy (to achieve competitive returns on financial assets and increase the marginal productivity of capital).
- Liberalisation of trade, tariffs and agricultural prices.
- Control of fiscal deficits and rationalisation of public investment
- Efficient management of public enterprises and labour markets to enhance mobility of goods, labour and to make prices and wages more flexible.
- Betterment of social services.

Very few firms had anticipated such reforms and the result was extreme competition and emergence of issues that firms were initially not exposed to. Kenyan industrialists were threatened by import liberalisation. Liberalisation opened doors to all sorts of imports (National Development Plan - Republic of Kenya, 1997). In the beverage and beer industry, for example, there was influx of Beers, Wines, Soft Drinks, Non-Alcoholic Beverages from Europe, South

Africa and the neighbouring countries. This threatened the existence of various firms including East African Breweries.

Porter (1980) observed that importation affords the customers substitute products, which give them a choice. This may erode the profitability and market share of the existing organisations.

1.2 EAST AFRICAN BREWERIES LIMITED

East African Breweries Limited was started in 1914, before the end of the World War 1 at the time when there was no formal local brew in Kenya. After the war, two brothers George and Charles Hurst came to Kenya and bought land at Kitale and formed what later was to be East African Breweries Limited (EABL) which now ranks among the greatest private under-taking in Kenya and one of the largest growing concerns in Africa (Gikuri, 1981). With the help of another friend H.A. Dawding who had connections with Edu Malt Extract company in England the two brothers pulled efforts together to start a brewery.

They bought land at Ruaraka because of permanent stream of water supply. They contributed K.£ 2,500 each and a company known as East African Breweries Limited was formally registered on the 8th December, 1922 and production begun on 14th December 1922.

George Hurst was killed in 1923 by an elephant while hunting - the name Tusker was adopted in memory of this sad occasion to East African Breweries.

First year of Operations Company's trading sales was K£ 2,000 and a profit of K£40. By 1930, it had started producing and exporting lager beer. In these early years, the company had encountered two major problems.

The heavy rail charges precluded large export business and during the post war periods, its products faced stiff competition from beers imported from England, Denmark, Germany, Australia, Holland, South Africa and Japan. In order to cut down on transportation costs the company started establishing other breweries in East Africa. In 1932, it opened one at Dar-es-Salam, which was to serve Tanganyika and Mombasa.

In 1935, EABL went public and acquired assets of Tanganyika Breweries Limited after which both were incorporated into East Africa Breweries Limited (EABL). With the outbreak of the World War II, the company was yet to gain, hence expanded facilities to meet the heavy demand. During that time, Ruaraka production was 175,000 litres a month and 60,000 litres at Dar-es-Salaam. Troops from South Africa, Britain and India arrived at Mombasa and beer became as important as ammunition. Immediate expansion was made but still the demand was too high. The beer shortage was so acute that the war Supply Board had to convene a meeting with Brewers and Suppliers where a percentage split of output and supplies for military and civilians resulted. Wartime difficulties led to some lasting benefits for the company and the

1965, EABL acquired 49% of Guinness upon the latter's incorporation in Kenya.

farmers in Kenya. Farmers were encouraged to grow Barley since by 1942 it was hard to get it from overseas.

Two British brewing companies, Ind Coope and AllSopps were also attracted to beer industry in East Africa. In 1959 East African Breweries Limited acquired substantial holdings in Uganda Breweries Limited. At the same time Dar-es-Salaam Breweries was transferred to newly founded Tanganyika Breweries Limited, which was to operate as an entity throughout Tanganyika. During this time, Allsopps (E.A) Limited, also situated at Ruaraka and an upcoming competitor began to work for a larger slice of the beer market by conducting a series of weekly beer tasting competitions to determine the preferences of the local beer consumers. Overseas Limited. During 1972,

The result of these competitions was AllSopp Pilsner Lager, which was then introduced into the market. In 1962, EABL entered into discussions with AllSopps and eventually acquired the whole of its ordinary stock. Steps were taken to convert EABL into a holding company by transferring its assets and liabilities relating to the Tusker Breweries Nairobi and Mombasa together with the maltings at Nairobi industrial area to a new subsidiary East African Breweries Limited. It subsequently started the construction of Mombasa

During 1964 and at the cost of K£208,000, 40% of the equity of Kilimanjaro Breweries at Arusha was acquired from the Madhivani Group. In 1965, EABL acquired 49% of Guinness upon the latter's incorporation in Kenya.

The remaining half was left with Guinness plc Limited that remained its strategic international-ally to date.

In 1968, EABL introduced Tusker Export in order to explore the export market in dumpy-non-returnable bottles. The mass production by international competitors made it hard to match the prices. But over time the lager had gained popularity in local shipping and airline markets. It is now packed in 500 milliliters bottles and exported to USA, Britain and Middle East. In 1969, EABL purchased the City Breweries Limited of Uganda.

In the same year 1972, the company had already acquired a modest minority interest of K£ 15,000 in Seychelles Breweries Limited in partnership with Hoase of Germany and Guinness Overseas Limited. During 1972, operations were very difficult due to government tax policies and control, and great increase in production costs resulting from inflation. Periods between 1971 to 1975 were full of hardships due to inflation and government policy changes both in Kenya and Tanzania. In the same year, EABL offered the biggest share issue in Kenya's history. In 1977, following the collapse of the East African Community, East African Breweries sold off its stake at Tanganyika Breweries. It subsequently started the construction of Mombasa Breweries with the aim of exporting to Tanzania and serving Mombasa area. In 1985, construction of Central Glass Industry got underway. This was to be a

Breweries Limited (EABL)

subsidiary of EABL supplying glass bottles. In 1986, exports to the United States of America started with the appointment of a major US distributor.

In 1988, the name EABL was dropped for Kenya Breweries Limited (KBL). In 1990, the first session of strategic planning was mooted at the Aberdares Country Club. This foundation on strategic planning is what is driving the company to what it is today.

Since the beginning of liberalisation East African Breweries embarked on various restructuring measures. These measures involved doing away with the non-core activities earlier undertaken by the company such as general maintenance, laundry, clearing and forwarding, staff transportation and beer distribution. Retrenchment measures were also put into place. The company has also shown interest to diversify its business into bottled mineral water, fruit juices and opaque beer. The company has since embarked on major improvement of its brewing technology with new bottling lines. Coupled with this, is the introduction of innovative ways of making beer. To regain its footage in the East Africa market, EABL acquired 82% of Moshi Breweries in Tanzania. This was refurbished and renamed Kibo Breweries. This led to the closure of Mombasa Breweries. The 40% stake at Uganda Breweries in Uganda is still held by EABL and there has been new investment in state of art brewing technology. Subsequently, KBL reverted to the old name, East African Breweries Limited (EABL).

The role of Guinness International had been enhanced with Guinness stake in the company increasing to 45%. This follows the controversial acquisition of 90% of the 1.5 billion right share issue by Guinness in 1997 (Nduati, 1997). Guinness has been given bigger roles in management, financing and marketing. Increasingly, EABL was learning new things. Browne (1997) observed that learning is at the heart of a company's ability to adapt to rapidly changing environment. The changes in the company's turnover and operating profits for the last nine years are as shown in appendix II.

1.3 NATURE OF COMPETITIVE CONDITIONS

The competitive conditions facing EABL are very similar to those identified by Porter (1990). According to Porter these competitive forces facing organisation can be classified into five major categories. These forces are, threat of new entrants, rivalry between firms, bargaining powers of suppliers and buyers and substitute products.

EABL is facing direct competition from the brewing multinational giant - Castle Breweries Limited. South African Breweries owns upto 51% stake in this company. Thus Castle Breweries Limited has, at its disposal, vast resources as South Africa Breweries is a global player, represented in various countries around the world.

EABL is also faced with numerous imported products, following import liberalisation. The main imports competing with the EABL beers include, Heineken,

1.4 Budweiser and Carlsberg. There are a number of substitute products

available in the market. Such substitutes include the Opaque Alcoholic Drinks, Wines and Hot drinks.

Other indirect substitute products include Sodas and Fruit Juices.

Beverages such as Tea, Coffee, Cocoa and Cadbury Drinking Chocolate are other drinks, which may be consumed in place of beer.

Suppliers of various inputs include barley farmers, who are contracted to cultivate and deliver barley to EABL. Castle Breweries Limited, has shown interest in acquiring barley from these farmers. Water, which is a major beer component, is supplied by the City Council and various Municipalities. EABL has to put up with the frequent water shortage.

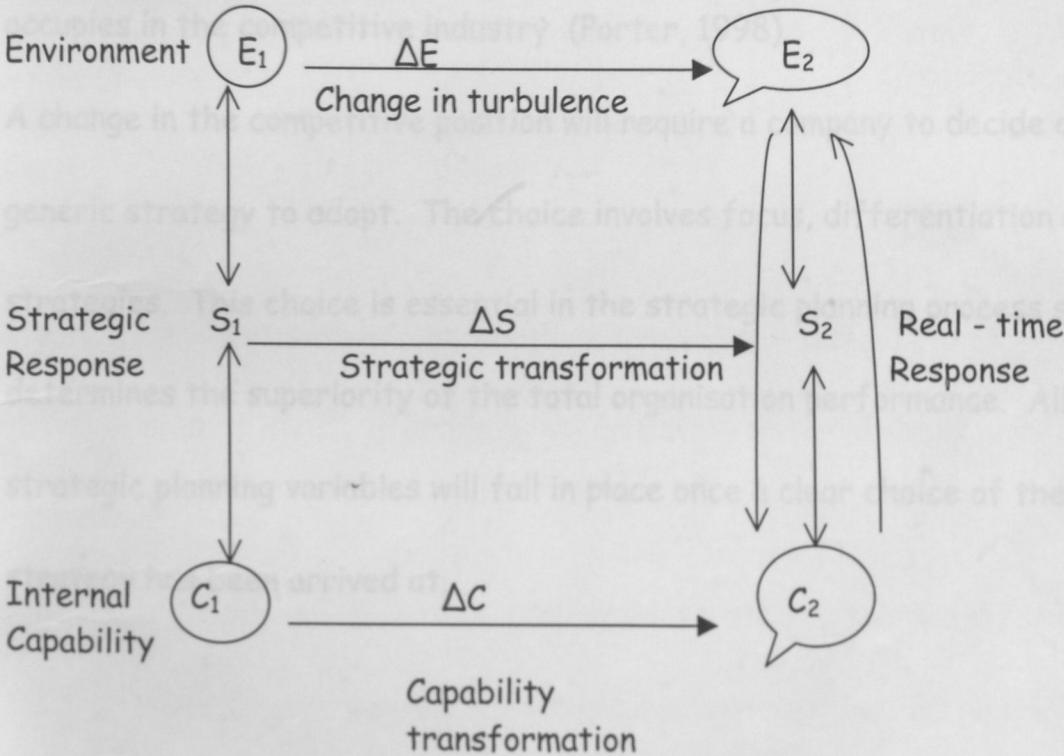
Novo-Nordisk is the main supplier of industrial enzymes to EABL. EABL competes for this input with major brewing companies around the world. Yeast, hops and stabilisers are other key raw materials that EABL has to compete for.

With the entry of Castle Breweries the traditional beer buyers from EABL have become more demanding as Castle has come up with various incentive programs aimed at attracting customers who were formerly loyal to EABL. The various changes that EABL put in place tried to address the shift in the various competitive forces.

1.4 RELATIONSHIP BETWEEN THE ENVIRONMENT, STRATEGY AND INTERNAL CAPABILITY.

Strategic response involves change in a firm's strategic behaviour to assure success in the transforming future environment. Strategic diagnosis identifies whether there is need to carry out such change (Ansoff, 1999). Specific action is selected and executed to bring the firm's aggressiveness and responsiveness in line with the future environment.

Figure 1: Relationship between the environment, Strategy and internal capability.



The key to figure 1 is as follows:-
E₁ - Present Environment. E₂ - Future Environment. ΔE - Changes in Environmental Turbulence. S₁-Present Strategy. S₂- Future Strategy. ΔS - Strategic Transformation. C₁- Present Internal Capability. C₂- Future Internal Capability. ΔC - Capability Transformation.

The above figure shows the relationship between the environment, strategy and internal capability.

Figure As illustrated in the figure, a change in the environment, from environment E_1 to E_2 requires a change in the firms' strategy from S_1 to S_2 . A change in strategy can only be possible if the organisational capability is changed from capability C_1 to C_2 , as shown in figure 1.

1:5 OPERATIONALISING STRATEGIC RESPONSE

Strategic response often involves a change in the competitive position a firm occupies in the competitive industry (Porter, 1998).

A change in the competitive position will require a company to decide on which generic strategy to adopt. The choice involves focus, differentiation and cost strategies. This choice is essential in the strategic planning process since it determines the superiority of the total organisation performance. All of the strategic planning variables will fall in place once a clear choice of the basic generic strategy has been arrived at.

1.5 STATEMENT OF THE PROBLEM

Liberalisation has led to elimination of restriction of imports of all sorts of Wines, Beers and Soft Drinks. Liberalisation has therefore occasioned

Figure 2: Strategic response variables

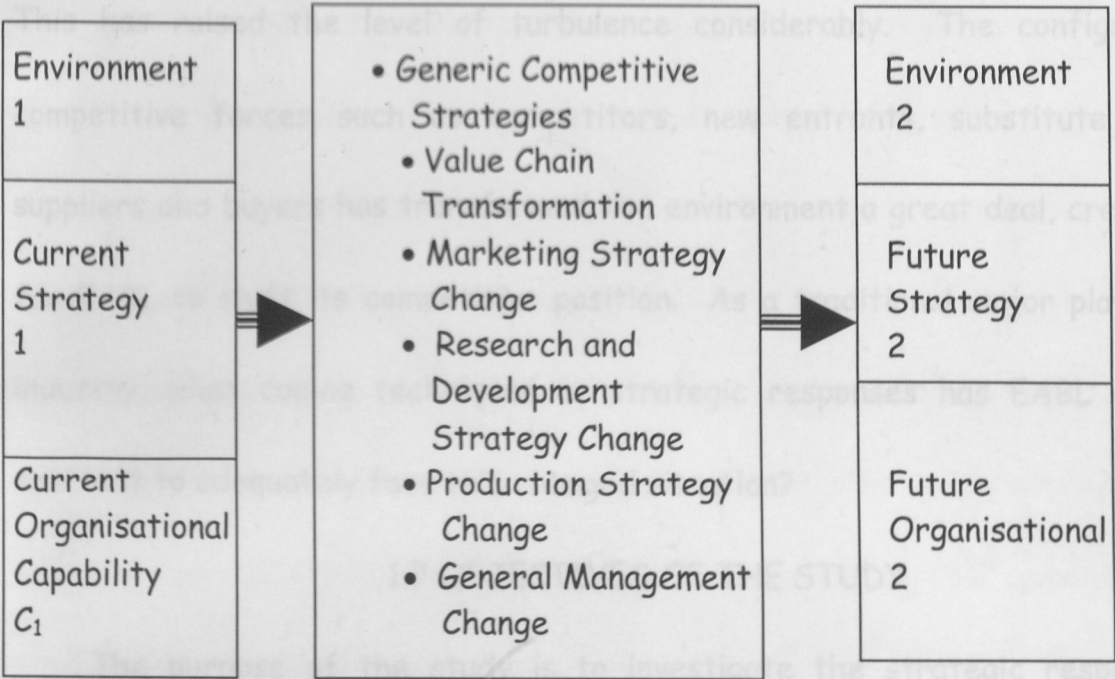


Figure 2, shows the various strategic response variables a firm may adopt in transforming its strategy and internal capability under changed environmental conditions.

The value chain activities, production strategies, marketing strategies, financial strategies, research and development strategies and general management activities will work towards creating the new organisational position.

1.6 STATEMENT OF THE PROBLEM

Liberalisation has led to elimination of restriction of imports of all sorts of Wines, Beers and Soft Drinks. Liberalisation has therefore occasioned

considerable disequilibrium within the competitive forces in the beer industry. This has raised the level of turbulence considerably. The configuration of competitive forces such as competitors, new entrants, substitute products, suppliers and buyers has transformed the environment a great deal, creating need for EABL to shift its competitive position. As a traditional major player in this industry, what coping techniques or strategic responses has EABL evolved to enable it to adequately face this changed situation?

1.7 OBJECTIVES OF THE STUDY

The purpose of the study is to investigate the strategic responses East African Breweries Limited has put in place to face the competition occasioned by the liberalisation of the industry. To achieve this specific objectives of the study are;

1. To determine changes that have occurred in the beer industry with the onset of liberalisation.
2. To determine how EABL as a major player in the industry has responded to these changes.

1.8 IMPORTANCE OF THE STUDY

The purpose of the study is to determine the various strategic responses EABL undertook. This would form an instant source of information for the management and the staff of the company. Academically, the study is expected to contribute to the existing literature in the field of strategic management and act as a stimulus for further research to refine and/or extend the present study. The other industrial players in other sectors will be interested to learn how to tackle the very important area of firm's response to ever changing environmental conditions, in this case, in relation to beer industry.

1.9 JUSTIFICATION OF THE STUDY

East African Breweries plays a major role in the economic performance of the three East African Countries. Such role is in form of employment creation and contribution to the exchequer. East Africa Breweries provide 1,500 jobs directly in Kenya alone. The indirect jobs created from these jobs could be up to 15,000. The barley farmers owe their existence to the EABL, which not only assure them of ready market but also soft loans and well researched exotic seeds. Central Glass Industry which is a subsidiary of EABL provide employment and glass bottles requirements of various local companies such as Coca-Cola.

EABL pays to the exchequer about Kshs. 1.5 billion annually in form of both direct and indirect taxes. EABL has been a monopoly for nearly eighty years and has been controlling about 97% of the beer market share (Mbata, 1998). The industry is estimated to be about Kshs. 20 billion a year. These facts would justify an academic interest in the company.

1.10 DEFINITION OF TERMS

Certain terms/concepts in this paper require clear understanding and their definition is as such appropriate. Among such terms are the following:

Environment

This is the pattern of all the external conditions and influences that affects organisation's life and development.

Environmental Conditions

Environmental conditions include important international and domestic trends of technological, economic, social, political and competitive nature. Changes in the environmental conditions shape a firm's opportunities and challenges.

Thompson and Strickland Competitive Forces

These refer to the forces that drive competition in an industry. They include such forces as bargaining powers of the suppliers and buyers, potential entrants, substitute products and rivalry among existing firms.

East African Breweries Ltd

This refers to the company, which is the main subject of interest in this research. It represents a prototype industrial player responding to the challenges of liberalisation and the resultant competition.

Strategy

Strategy has been defined differently by different authors although all seem to have some consensus.

Pearce and Robinson (1977) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company objectives. It reflects a company's awareness of how, when and where it should compete, against whom it should compete and for what purposes it should compete. This definition of the strategy is apt to this study as it brings the aspect of the competitiveness in the environment and the game plans aspects which organisations put into place to be able to compete effectively.

Liberalisation Thompson and Strickland (1993) states that managers develop strategies to guide how an organisation conducts its business and how it will achieve its objectives. They further states that without strategy, there is no established course to follow, no road map to manage by, no cohesive action plan to produce the intended results. They say that objectives are the "ends" and strategy the "means" of achieving them. They summarised it up this way - "strategy is the pattern of organisational moves and managerial approaches used to achieve organisational objectives and to pursue the organisation's missions. They believe that a company's strategic action plan should be dynamic undergoing continuous review, refinement, enhancement and occasional major revision.

Although Thompson and his colleague did not make direct reference to the environment it is implied when they talked about continuous review as this must be in response to certain factors, one of such would definitely be changes in the environment.

Liberalisation

This refers to removal of some or all trade barriers such as tariffs, quotas, foreign exchanges regulation, registration requirements and so on.

Liberalisation enables free entry and exit of products, services and organisations into and out of a country.

Internal Capability

This refers to the general management of the organisation to necessitate the implementation of the identified strategy. It includes, its structure, strategic planning, real-time response, management of strategic business units and its human resources policy.

Industry

In this study, the industry refers to the beer industry comprising manufacturers of bottled and canned beer.

Industry Products

These refer to the products that have an impact on the beer industry. Such products include Beers, Fruit Juices, Soft Drinks, Hot Drinks, Opaque Alcoholic Drinks and Beverages.

Industry Forces

Such forces are the ones identified by Porter (1998) and include substitute products, Rivalry in the industry, Threat of new entrants, bargaining powers of buyers and suppliers.

1.11 OUTLINE OF THE STUDY

This study is structured into five chapters. The first chapter is the introductory chapter. It provides the background of the study and that of East Africa Breweries Limited, statement of the problem, objectives, significance, definition of terms and outline of the study.

The second chapter looks into the literature review covering the impact of competition on organisations, the strategic options open to an organisation, the past studies in the industry and on East African Breweries.

The general focus is on how changes in the environment affect organisations. Literature that has shown how the -on-going economic reforms have changed competitive conditions and the subsequent effect on East African Breweries is reviewed. Available literature showing how changes in the environment have affected the various industry players and how they have adjusted to survive is also reviewed.

The third chapter constitutes research design where the scope of the study, the population of the study, the sample, data description and collection and data analysis methods are discussed.

The fourth chapter presents the findings of the study, data analysis and findings. The fifth chapter contains a summary of the research findings, conclusion, recommendations, limitations and future research directions.

2.1 IMPACT OF COMPETITION ON ORGANISATIONS

It has been observed that changes in the external environment including competition have an impact on an organisation. Various authors (Chandler, 1962, Andrews, 1971, Dett, 1986 and Porter, 1998) variously point out that firms are environment dependent and changes in the environment shape the opportunities and challenges facing the organisation.

This understanding is important in defining the firm's objectives and in developing competitive strategy and hence competitive advantage. This is essential if the organisation is to be efficient enough to be successful.

Porter (1997) describes the competitive forces that determine the state of an industry. He classifies these forces into five basic components: the bargaining power of suppliers, the bargaining power of the buyers, threat of new entrants, threat of substitute products or services and rivalry among existing firms.

CHAPTER II

2.0 LITERATURE REVIEW

2.1 IMPACT OF COMPETITION ON ORGANISATIONS

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Porter (1990) describes the competitive forces that determine the state of competition in an industry. He classifies these forces into five basic components: the bargaining power of suppliers, the bargaining power of the buyers, threat of new entrants, threat of substitute products or services and rivalry among existing firms.

Porter (1998) further observed that importation affords the customers substitute products, which give them a choice. This may erode profitability and market share of the existing organisations.

East African Breweries Limited has been experiencing competitive pressure from forces that are very similar to those described by Michael Porter. Such forces include direct competitors, imported products, substitute products, beverages, potential entrants, suppliers and buyers.

Castle Brewing Limited was identified as the main direct competitor. Based in Thika, it is a subsidiary of South African Breweries, which owns 51% of its stake. Donyo Sabuk Limited, a Kenyan company owns 30% of the company. A Dutch company, FMO, owns 19% but with conditions that it offers its shares to public at a future date. Castle Breweries Limited invested slightly over Kshs. three billion toward the end of 1997 and became operational a year later. The plant in Thika has a capacity of upto 800,000 hectolitres per year and can employ upto 600 people.

The multiplier employment effect is expected to be upto 6,000. South Africa Breweries (SAB) has substantial presence in East Africa already with 46% ownership of Tanzania Breweries and 40% stake at Nile Breweries in

Uganda. According to the Managing Director Andre Parker - "Current beer consumption levels in Kenya are less than what they should be. There exist a substantial room for growth through the benefits of health competition, a broader choice of products, advertisements, promotions and improved levels of customer service" (Daily Nation, 24th April 1997). Castle Breweries plans to make Kenya a regional centre in five years. The implication of this is that Castle may be out to get at least 50% of Kenya's beer market share. South Africa Breweries for all practical purposes is a global company while EABL may be aptly called a budding multinational set up.

SAB owns the beer market in South Africa with 98% market share and is the fourth world largest brewing company (Mbata, 1998). It has set up manufacturing facilities in Zambia, Congo, Liberia, Rwanda, Botswana, Ethiopia and Eritrea. Outside Africa, it has facilities in Poland, Hungary, Romania and Slovakia. In China the company has 5% market share and is building a factory in Moscow. Other business interests include hotels, beverages and retail business. SAB and the Holiday Inn group jointly own Mayfair Hotel in Nairobi. Locally, Castle Breweries faces an apparent fiercely loyal beer consumers with the company only gaining 7% market share after over two years in operation

(Mbata, 1998). This 7% is composed of sales of its products Castle Lager, Milk Stout, Ranger Special Lager, Trophy, Hansa Pilsener and Redd's premium. There has been incidences of defacing of the expensive billboards and several court battles with EABL.

The environmentalists are also getting concerned about the empty beer cans littering the surroundings. The price wars between the two companies have also been apparent (Macharia, 1998).

The imported competing products are the premium priced beers such as Heineken, Budweiser and Carlsberg (incidentally EABL is one of the agents importing Carlsberg).

The substitute products form the other competitive force and they include locally produced Alcoholic Drinks, Wines, Spirits, Soft Drinks, Hot Drinks and Fruit juices. Depending on the occasion and circumstances beer consumers may opt to consumer the above products in place of beer.

The locally produced Alcoholic Drinks include the opaque beers which are positioned to serve the down market segment. This segment is estimated to be about twice the size of the up market segment.

Kunguru Foods Complex Limited (KFCL) is the main provider of such substitutes. These drinks include products such as Kamata, Kulta, Medusa pound, Kibuku and Beer powders. Complex Limited, Pepsi Company Limited provide Pepsi,

Most of the wines in Kenyan market are supplied by Kenya Wine Agency Limited (KWAL). Wine products from KWAL include fortified wines such as Highlife, Medium Dry and Celebration. KWAL also provide fruit wines such as Kooler, Kingfisher, Cider, Woodpecker. Wines such as Cathay, Teachers' wine and Tarzan wine are from KFCL. Kenya Cane, Kenya Gold Coffee liqueur and Ivory Cream are produced by international distillers Kenya Limited (IDK). Kenya Cane is also supplied by United Distillers Limited (UDL). Safari Cane, meant for the low-income group is marketed by London distillers. Small-scale local processors at places like Yatta and Matuu also produce wines locally. Lake Naivasha vineyards are also major local players in wine provision.

The hot drinks include various Whiskies, Vodka, Brandies, Rum, Gin, Bond 7, 3 Barrels, Richots and Chelsea. Such are provided by KWAL, IDK and UDL. Local hot drinks are made available by Mohan Meakin, Modern Brewers and Distillers.

There are also various fruit juices and sodas which forms a bulk of the other substitute products. Coca-Cola, Fanta Orange, Fanta Pineapple, Fanta Black

Currant, Diet Coke, Sprite and Krest are manufactured by Coca-Cola company. Various Schweppes products are also available in the market. Babito and Softa are supplied by Kunguru Food Complex Limited. Pepsi Company Limited provide Pepsi, Diet Pepsi, Mountain Dew, Lipton iced tea, Slice and Aquafina. Most of these products from Pepsi are not in the market yet and are likely to form the new entrants in the near future.

Beverages such as tea, coffee, Cocoa, Cadbury Drinking Chocolate, Milo and so on are other drinks which may be consumed in place of beer. There are a variety of fruit juices in the market, some, which are imported, and others, locally produced. EABL recent announcement that it would enter into the fruit juice market may be a way of checking the indirect competition from the existing and future fruit juices.

The recent merger in Philippines between Coca-Cola Amatil and beer manufacturers San Miguel Corporation is likely to introduce Coke branded beer into the market in the near future.

EABL procure various inputs from various outside suppliers. Such inputs include barley, water, enzymes, yeast, hops and stabilizers. Farmers contracted by EABL supply the required barley. There has been attempts by Castle Breweries Limited to buy this barley from these farmers. Currently Castle Breweries import

all of its required barley. The farmers may in future attempt to supply this rival company. The farmers demand well-researched and high yielding barley seeds, which EABL has to supply. EABL has been forced by circumstances to negotiate soft loan facilities for farmers from various banks. Water is usually supplied by the City Council and Municipalities. The frequent water shortage is likely to negatively impact the production process. In Kisumu, EABL has been accused of precipitating water shortage as it consumes about half of the water output produced by the Municipality.

Castle Breweries in Thika had to spend over Kshs. 100 million to upgrade the water facility in the town. EABL imports its enzymes from Novo-Nordisk Company in Germany. It is just one of the many worldwide customers supplied by this firm. Novo-Nordisk is likely to first fill the bigger orders from the larger breweries across the globe. Yeast, hops and stabilisers are imported from temperate countries while carbon dioxide which is required for the manufacture of both beer and bottles is supplied solely by Carbacid Investment Limited.

EABL buyers are mainly the large contracted distributors. With the entry of Castle Brewery into the market place, such distributors are likely to re-evaluate their contracts with EABL. In 1997, one of the largest distributors, Karume

Investments, had its contract terminated due to its association with South African Breweries. Expensive legal battles ensued. The different promotion practices between EABL and Castle Breweries have resulted in increasing expectations from customers and buyers.

Dess and Origer (1980), stated that organisations must look beyond immediate operating environment in order to thrive and complete favourably.

Aquilar (1967), arguing on the same line observed that managers must shift their environmental scanning from the immediate areas in which the firms compete to the industry as a whole. Porter (1980), concurred, pointing out that the "essence of formulating a competitive strategy is relating the company for its environment" He further observed that industry characteristics strongly influence the alignment options available to the firm.

Child (1972), Dess and Beard (1984), independently made three proposals on industry and environmental interactions. They said that the resources from the environment supports organisational growth. They also put into perspective the unpredictable nature of the changes in the environment as well as heterogeneity and the wide range of environmental activities.

Aldrich and Mindlin (1978), summed up these three dimensions by seeing the environment as a source of both information and resources for the organisation.

Andrews (1971), had already stated that information and resource reservoirs are the starting point in strategy formulation.

Emery and Trist (1965), studied "The texture of organisational environments". They identified four casual textures:

- (i) A placid stable, unchanging, randomised (randomly distributed resources) environment, in which strategy should be to perform at top standard.
- (ii) A placid, clustered (concentrated resources) environment, in which strategy should be based on location to gain access to concentrated resources.
- (iii) A disturbed environment, in which competitive power is a key focus of strategy.
- (iv) A turbulent environment, which requires a dynamic strategy that, includes constant monitoring of opportunities and threats and developing appropriate response.

Penrose (1968), provided insight into strategic opportunities in the external environment by means of the discussion of interstices. She concluded that growth is possible because of interstices, or spaces between product markets.

Interstices are caused either because large firms do not or cannot exploit them because Manager seek not profit maximisation but rather absolute dollar profit levels. She argued that this approach caused managerial inefficiency (managerial slack). Interstices may also be caused by macro-economic growth attributable to population increases, technology advances and productivity improvement.

On the issues of technological advances Cooper (1974), found out that: -

- (i) The first introduction of the new product was often made by a firm outside the industry.
- (ii) The old firms tried unsuccessfully to participate in both the old and new technologies.
- (iii) Those old firms with small market share were particularly unsuccessful with the new technology.

He concluded that firms must muster a large market share and scout for emerging technologies.

(v) Steel (1993), listed four common strategic errors regarding adopting of new technology:-

- (i) Firms fail to accept "good enough" technology and seek only the best possible technology; cutting edge technology doesn't necessarily lead to economic success.
- (ii) Some firms assume that majority of innovations are successful; many are not.
- (iii) Firms overlook extensions of current technology and seek revolutionary advances rather than evolutionary economically feasible ones.

He concluded that top management must direct and control the technology effect in order to have a productive scientific resource.

Diffenbach (1983), while emphasizing the importance of corporate environmental analysis points out seven advantages associated with environmental scanning as: -

- (i) Increased management awareness of change.
- (ii) Better strategic planning and decision making.
- (iii) Greater effectiveness in government matters.
- (iv) Better industry and market analyses.

- (v) Better results in foreign businesses
- (vi) Improvement in diversification and resource allocation.
- (vii) Better energy planning.

Notwithstanding these advantages, environmental analysis must overcome difficulties of interpretation, inaccuracy, misperception and short-term orientation, as well as the complex environments of diversified companies.

Ansoff (1999), conceptualized the effects of environmental changes on the firm's strategy and capability. He stated for a given environment an organisation must come up with a suitable strategy. He proposed that there have to be a fit between the existing strategy and the prevailing environment for the organisation to remain successful.

He further stated that a strategy could only exist if it is supported by the firm's internal capability. Thus the firm must identify the necessary change in its internal capability in order to plan and execute the identified strategy. The change in the internal capability involves changes in the company resources of staff, management, finance, systems and policies.

Ansoff states that once the strategy has changed to fit with new environment, such a change requires a corresponding change in the internal

capability of the firm. But the most important aspect of managing changing environmental condition is the real- time response. This refers to the immediate changes that involve internal capability transformation as soon as the environment changes. Despite the formal strategic plan informal changes must be undertaken to respond to environmental changes as they happen or are about to happen.

2.2 STRATEGIC RESPONSE OPTIONS IN CHANGED COMPETITIVE CONDITIONS

As observed by Ansoff (1999) firms must adapt their new strategies to new environments. The change in the competitive environment will require new strategies, which in turn, call for reformed organizational capability.

Pearce and Robinson (1991) stated that the fight for market share competition is not manifested only in the other players. Rather competition in an industry is rooted in its underlying economics and competitive forces that go well beyond the established combatants in a particular industry. They argued that customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry. Whatever their collective strengths, the corporate strategist's goal is to

find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favour.

Thompson and Strickland (1993) states that one way to predict future driving forces is to utilise environmental scanning techniques. Such scanning involves studying and interpreting social, political, economic, ecological and technological events in an effort to spot budding trends and conditions that could eventually affect the industry.

Environmental scanning raises a manager's awareness of potential developments that could have an important impact on industry conditions posing new opportunities and threats. They observed that, one of the big cornerstones of industry and competitive analysis involves, carefully studying the industry's competitive process to discover the main sources of competitive pressure and how strong they are. This analytical step is essential because managers cannot devise a successful strategy without understanding of the industry's special competitive character.

Porter (1998) reformulated the three generic competitive strategies. These generic strategies must be taken into account when the firms have to change its

strategy. The strategic response reflects the firm's competitive position in the industry.

If the environment is very turbulent the firm may have to change its position. Such a change in the position will involve a change in its strategies as well. According to Porter a competitive position could be build around three variables. The first one is cost leadership where the firm strives to become the most efficient producer in the market and so is able to charge the lowest price. If the firm decide to charge higher prices the margins are increased significantly.

Cost leadership can be achieved through installation of new and efficient plants and machinery. It may also be achieved through aggressive sourcing of inputs from the less expensive suppliers. The quality assurance process may also be elaborate to reduce costs of customer service delays and costs of errors. The efficient production would enable the firm to respond to price cut demand due to price sensitive customers or as a result of competition onslaught.

Porter also put forward the argument for company and product differentiation as a way of gaining competitive advantage. Differentiation can be achieved by creating the perception of uniqueness about a product or service. This can be achieved through special design and creation of innovative features in a

product or a service. Differentiation can also be created through aggressive marketing campaigns. Such campaigns tend to be on a strong brand identification and great customer loyalty.

The focus strategy is about identification of a particular customer segment, geographical market and coming up with products suitable for that segment. Once the segment has been identified then the firm may pursue either cost or differentiation strategies. The differentiation strategy so adopted may be broad or narrow. The current realisation is that broad differentiation affords a firm a broad market share upon which long-term profitability base can be developed.

Michael Porter also stated that to cement the particular position the company has settled on, the value chain activities have to be transformed. Such value chain activities include primary business activities of inbound logistics, operations, outbound logistics, marketing, sales and after sales services. Also included are the secondary activities of procurement, technological support, human resources management and the firms infrastructure.

Kotler (1998), observed that marketing plays a critical role in the company's strategic - planning process. He stated that marketing is the most significant contributor to the strategic - planning process. Marketing has roles in defining the

business mission, analysing the environmental, competitive and business situations.

According to Kotler, marketing functions also involves, developing objectives, goals, strategies, defining product, market and distribution.

Marketing also prepares quality plans to implement the business strategies.

This involvement of marketing extends to the development of programs and operating plans that are fully linked with the strategic plan. Since strategic plans are about strategic responses, the components of marketing put forward by Kotler would then form an integral part of a strategic response.

Ansoff (1999), put into perspective the role of general management in a firm's strategic response. According to him, general management is the propensity and the ability of the firm to engage in behaviour which will optimize attainment of the firm's near- and long-term objectives.

General management is about setting the right climate (will to respond), competence (ability to respond), and capacity (volume of response).

He states that these three components are essential if the firm is to implement a strategic response. Climate setting involves the mentality and power positions of the managers. This determines the organisational culture.

The Competence involves the talents, skills and knowledge of the management. It will determine the organisational structures, systems and shared knowledge. Capacity involves the personal and organization capability to accommodate the various management challenges as may arise from time to time.

2.2.1 Studies in Other Industries

Kombo (1997), found that due to the on-going economic reforms in the country, firms in the motor vehicle industry made substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms in this industry introduced new technologies of product development, differentiated their products, segmented and targeted their customers more and improved customer services. The other marketing mix strategy variables of promotion, price and distribution were significantly changed in response to competition.

Bett (1995), noted similar changes among the firms in the dairy industry. As a response to competition the firms made adjustments in their marketing mix components of product, promotion, place and price.

The firms made changes in product range differentiation, quality and branding. Decision price levels, discounts allowances were important to enhance customers' perceived value.

Show exhibitions were chosen as a cost-effective way of promotion. The firms not only engaged in market segmentation and planning but also monitored the competitors activity while at the same time learnt to be more adaptive and flexible.

Steel and Webster (1992), in his work on small-scale enterprises in Ghana found out that such firms altered their product mixes to avoid the intense competition from the imports. They found out that enterprises changed marketing strategies by identifying new market niches, engaging in export markets. Most firms cut down the staff and changed their sources of raw materials in order to reduce costs.

2.2.2 Studies in the beer industry

Before liberalization, the beer industry was monopolised by EABL. Thus most studies focussed on EABL. Gikuri (1981), studied the brewing process of the EABL export brand- Tusker Premium. He wrote on various management issues.

Rotich (1981), studied the transportation system of EABL and applied various operations models to understand how it operated and how it could have been improved.

3.0 RESEARCH DESIGN

3.1 SCOPE OF THE STUDY

This is a case study on East African Breweries Limited. It aims at documenting the strategic responses of this company to the changed competitive conditions in the changed environmental situations.

3.2 THE POPULATION

Being a case study, the focus is on East African Breweries Limited, and specifically, the various strategic responses adopted by the firm to counter the increased competition.

3.3 THE SAMPLE

Ten executives from finance, public relations, production, purchasing and marketing departments formed the source of information. Efforts were made to interview the top two executives from each department but where this was not possible then the next layer of management was considered.

3.4 METHOD OF DATA COLLECTION

CHAPTER III

3.0 RESEARCH DESIGN

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3.4 METHOD OF DATA COLLECTION

Secondary Data

This information was collected by checking on the company's records particularly financial statements, marketing documents on promotional efforts, restructuring programs, pricing decision, distribution, product policies, decisions affecting the barley farmers and internationalization programs. Trade journals, local and regional newspapers were scanned for relevant information pertaining to EABL.

Primary Data

In depth personal interview involving senior executives from the Company provided the primary data. The target executives were those in marketing, finance corporate, production and public relations departments. Two senior most executives from each of these departments were selected and interviewed. The various strategic responses exhibited by the company are expected to have originated from these five departments.

This data was collected using both structured and unstructured questions in a questionnaire. Both open and closed questions were also used. Literature review carried out by the researcher and research objectives

4.0 DATA ANALYSIS AND INTERPRETATION

formed the backbone of the questionnaire design. The approaches to data collection were "on the spot" and "drop and pick later" depending on the circumstances of the respondent. All the questionnaires were administered by the researcher.

3.5 DATA ANALYSIS TECHNIQUES

The descriptive statistics were used for data analysis. These included tables, summary statistics, mean scores and frequencies. Mean scores were calculated to indicate what adjustments were adopted on the strategic variables in response to competition. Data collected on the various strategic changes was analysed qualitatively according to the variables covered. These descriptive analytical techniques have been exclusively applied in related studies in the past by Steel and Webster (1992), Bett (1995), Kombo (1997) and Koyio (1999).

4.0 DATA ANALYSIS AND INTERPRETATION

Table 4.1 4.1 INTRODUCTION

This chapter deals with the data analysis and interpretation of research findings. The secondary data on the identification of the competitive forces is treated qualitatively while the rest is summarised and presented in table form. Such tables contain the means, number of respondents and absolute scores. The chapter also documents what adjustments in product, prices, promotion, distribution, cost structure, Market research, staff development and market predisposition the firm has adopted in response to competition. The responses from all the ten executives chosen from the study were analysed. Seven respondents were interviewed on the basis of the questionnaire whereas three respondents filled the questionnaire through "the drop and pick later" method because personal interviews were not possible.

According to the responses received the analysis and interpretation of the data is hereby undertaken.

	8
Low	0

According to the results, 80% of the executives view competition in the industry to be moderate, while 20% believe that it is cut throat. None believe that the competition is low. When further asked to rank the seriousness of the competition the outcome was as shown below:

4.2 THE STATE OF COMPETITIVE CONDITIONS

Views of Company Executives

Table 4 A- Respondents' Level of Experience

Years of Experience	0-5	5-10	Over 10
No. of Respondents	3	6	1

Most of the executives were working for East African Breweries before the liberalisation effects started to be noticed. Most of the older members of staff were retrenched as a result of cost reduction and efficiency improvement measures.

According to the respondents, the nature of the competition faced by the company stands as follows;

Table 4 B - Perception of Competition

Level of Competition	No. of Respondents
Cut throat	2
Moderate	8
Low	0

According to the results, 80% of the executives view competition in the industry to be moderate, while 20% believe that it is cut throat. None believe that the competition is low. When further asked to rank the seriousness of the competition the outcome was as shown below;

Table 4 C -Mean Scores on the Seriousness of Competitive Forces

Competitive Forces	No. of Respondents	Absolute Score	Mean Score*
Direct Competitors	10	14	1.4
Potential Entrants	10	41	4.1
Existing Substitutes	10	16	1.6
Power of the Suppliers	10	17	1.7
Power of the Buyers	10	30	3.0

* Mean scores ranked on a 5 point Likert-like scale with 1 taken to mean highest level and 5 taken as lowest.

From table 4 C, the mean scores for direct competitors, existing substitutes and the power of the suppliers were between 1 and 2, showing that these forces were viewed as the most significant threats facing the organisation.

Potential entrants' threat is viewed as the least serious, which is expected as the entry barriers into such an industry are quite high. The power of the buyers is nevertheless more significant but is currently still manageable.

According to the respondents, the main direct competitors is Castle Breweries Limited. Imported beers such as Heineken, Budweiser and Carlsberg have engaged EABL in stiff competition at the up market segment.

The substitute products have been identified as the locally produced Alcoholic Drinks, Wines, Spirits, Soft Drinks, Hot Drinks, Fruit Juices and various Beverages.

Table 4 D-Income Based Market Segment Emphasis

The main powerful suppliers were identified as Novo-Nordisk of Germany which supply the industrial enzymes. The barley farmers, who also form a powerful source of barley are key suppliers. The City Council and Municipalities supply water, which is a major beer component. Carbacid investment limited has for years been the sole supplier of carbon dioxide to EABL for the manufacture of both beer and bottles.

The only identified potential entrant is Coca-Cola Amatil of Phillipines, which came into being after the merger between Coca-Cola and the beer manufacturers - San Miguel Corporation.

According to the respondents, there has been some dissonance among the existing buyers due to various promotional activities undertaken Castle Breweries. The buyers, who are mainly large contracted distributors, have considerably raised their expectations.

As Tusker Malt may be viewed as a high-income segment product, but its performance has been wanting. Currently EABL has the local franchise to market Carlsberg, which is a product for the high-income group.

According to the respondents, the firm's focus on markets and basic products stands as follows:

4.3 COMPANY MARKET SEGMENTATION AND FOCUS

Table 4 E-Mean Scores Company Market Segment Domestic and Foreign

Table 4 D-Income Based Market Segment Emphasis

Income	Number of Respondents
High	0
Middle	10
Low	0

As table 4D shows, all the respondents believe that the organisation is only serving the middle income bracket of the market. This applied to both domestic and foreign markets. The middle level group has been the focus of the company for some time now. Attempts to make inroads into the low income segments with brands like Kenbrew and Citizen beers have not been successful. The company has been undertaking changes regarding these markets. The basic product has been changed in its strategic plan, intentions to enter into the opaque beer segment, which may considerably according to the results. The domestic marketing has been given it a footing in this low-income bracket.

Products, such as Tusker Malt may be viewed as a high-income segment demonstrated later on in the analysis. The firm has also re-focused its attention product, but its performance has been wanting. Currently EABL has the local franchise to market Carlsberg, which is a product for the high-income group.

According to the respondents, the firm's focus on markets and basic products stands as follows:

Company Focus

Table 4 E-Mean Scores on the Focus on Basic Product, Domestic and Foreign

Markets

Product / Market Change	Any Change		No. of Respondents	Absolute Score	Mean Score*
	Yes	No			
Basic Product	10	-	10	38	3.8
Domestic Markets	10	-	10	49	4.9
Foreign Markets	10	-	10	48	4.8

* Mean scores ranked on a 5 point likert-like scale with 5 being the highest and 1 taken as the lowest.

According to table 4E, the change undertaken in regard to the domestic and foreign markets approximates level 5 which means that significant changes have been undertaken regarding these markets. The basic product has been changed considerably according to the results. The domestic marketing has been revitalised considerably with various changes in the four Ps of marketing as demonstrated later on in the analysis. The firm has also re-focused its attention towards the foreign market. The recent acquisition of Kibo Breweries in Tanzania and the investment in a new technology bottling line in Uganda demonstrates the increased emphasis on the foreign markets.

4.4 CHANGES IN THE COMPANY GOALS, OBJECTIVES AND POLICIES IN RESPONSE TO COMPETITION

The changes in the way a company view its business would be demonstrated by changes in its goals, objectives and policies. The results from the respondents on the company's goals reveal the following;

Company Goals

Table 4 F -Mean Scores on Importance of the Various Company Goals, Before and

After Liberalisation

Company Goal	No. of Respondents	Before Liberalisation		After Liberalisation	
		Absolute Score	Mean Score *	Absolute Score	Mean Score*
Survival	10	11	1.1	46	4.6
Growth	10	37	3.7	35	3.5
Profitability	10	49	4.9	38	3.8

* Mean scores ranked on a 5 point likert-like scale with 5 being the highest and 1 taken as the lowest.

According to the above analysis, profitability was the major issue before liberalisation. Survival was of no significance but after liberalisation it became critical as goals of growth and profitability became of secondary importance.

The company's objectives also changed significantly in importance before and after liberalisation as shown below;

Company Objectives

Table 4 G-Mean Scores on Importance of Company Objectives Before and After

Liberalisation.

Company objectives	No. of Respondents	Before Liberalisation		After Liberalisation	
		Absolute Score	Mean Score *	Absolute Score	Mean Score*
Profitability	10	47	4.7	40	4.0
Return on Investment	10	30	3.0	45	4.5
Competitive Position	10	30	3.0	50	5.0
Technological Position	10	28	2.8	50	5.0
Productivity	10	19	1.9	38	3.8
Employee Relations	10	19	1.9	31	3.1
Employee development	10	30	3.0	31	3.1

* Mean scores ranked on a 5-point likert like scale with 5 being the highest and 1 taken as the lowest.

Howe The respondents were asked to rank their company's objectives in order of importance before and after liberalisation. According to the respondents the importance of the objectives have changed dramatically.

Before liberalisation profitability, return on investment, competitive position and employee development, were taken to be very important. Technological position, employees' relations and productivity were of less significance.

After liberalisation, technological and competitive positions ranked the highest while profitability and return on investments were key but second in importance. Staff development and relations scored average mean score of 3.1 showing that there was some improvement. Human resource is a very important resource available to an organisation and companies must come up with programs aimed at retaining their workers. A high staff turnover is detrimental to the organisation, as the company has to incur cost in selection, training and orientation of new workers. The workers leaving the organisation may end up joining rival companies thereby passing on vital information about their former companies.

Open The respondents felt that improvement in the brewing technology and the installations of new bottling lines have dramatically improved the company's competitive position and technological standing.

* Mean scores ranked on a 3 point scale with 3 being the highest and 1 being the lowest

However, the improvement in technology has also resulted in job losses, which has not gone down well with the staff despite being inevitable.

COMPANY POLICIES

The respondents were asked to indicate the extent of the change in any of the company policies in response to competition. The results are depicted in the following table:-

Table 4H-Mean Scores on Changes in Company Policies Liberalisation

Policies	No. of Respondents	Absolute Score	Mean Score*
Personnel Policy	10	21	2.1
Purchasing Policy	10	21	2.1
Financial Policy	10	20	2.0
Marketing Policy	10	30	3.0
Research and Development policy	10	29	2.9
Operation Policy	10	30	3.0

* Mean scores ranked on a 3 point scale with 3 being the highest and 1 being the lowest

As Table 4H clearly shows, the operations, marketing, research and development policies were very much adjusted. The other policies of personnel, purchasing and finance were slightly changed. The respondents explained that the changes in the marketing policies made the organisation more market oriented.

The expenditure on marketing activities has been dramatically increased. The recruitment process of the marketing staff has been improved to get the best people. The company has also increased the focus on the customer needs and the customers are given the best services in a more cost-effective manner.

On research and development, the company has put a lot of emphasis on barley, where exotic seeds are availed to the farmers. The company has had for years barley research contract with Kenya Agricultural Research Institute (KARI), aimed at studying and improving the barley productivity and disease control. The brewing processes have also been improved greatly with the recent production of malt free beers.

The operation policies have also been changed to improve on both efficiency and effectiveness. The on -time delivery has been emphasised. The changes in the various policies are essential to ensure that agreed tactical plans are executed effectively in order to meet the requirements demanded by the strategies.

4.5 ADJUSTMENTS IN STRATEGIC VARIABLES IN RESPONSE TO COMPETITION

Table 4I: Mean Scores of Adjustments in Product Strategies

To comprehend the current strategic responses of the company to increased competition in the industry, specific strategies were posed to the respondents and they were requested to indicate the level of adjustments that have been adopted. The changes were ranked on a 5 point likert-like scale.

Products Adjustments	No. of Respondents	Absolute Score	Mean Score*
Improvement of Brand Quality	10	27	2.7
Introduction of New Brands	10	10	1.0
Introduction of Unique Brand Features	10	10	1.0
Offering any After Sales Service	10	37	3.7

A mean score was computed for each strategy with 1 taken to mean highest level and 5 taken to mean lowest level. The strategic variables were product, price, promotion, distribution, cost structure, market predisposition, Market Research.

These were perceived to be the major strategic variables that a strategist can use to effectively respond to changes in the environment. Both analysis and interpretation are covered hereafter.

The mature products such as Tuskar were repacked in Cans to face similar packs of Castle Lager. The Cans were developed to also meet the demands from supermarkets and fuel station shopping outlets.

4.5.1 Product Strategies

Table 4I- Mean Scores of Adjustments in Product Strategies

Products Adjustments	No. of Respondents	Absolute Score	Mean Score*
Improvement of Brand Quality	10	27	2.7
Introduction of New Brands	10	10	1.0
Introduction of Unique Brand Features	10	10	1.0
Offering any After Sales Service	10	37	3.7

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

Product strategic decisions involve a combination of brand quality features, line extensions and any associated after sales services. Table 4I shows how the respondents rated the various product strategic variables. It is clear from the table that EABL put a lot of emphasis on introduction of new brands and new features into the existing products. These two variables have an average mean score of 1.0.

The mature products such as Tusker were repacked in Cans to face similar packs of Castle Lager. The Cans were developed to also meet the demands from supermarkets and fuel station shopping outlets.

The new brands introduced include Tusker malt, which was initially targeted at the export markets. Carlsberg was also introduced through a franchise between the company and the manufacturers in Denmark. The Pilsner brand now comes with brand extension of Pilsner Ice, which is brewed using a new ice brewing technology where impurities are decanted. This process cuts down on the side effects associated with the beer.

Also introduced is Pilsner Ice-Light, which in addition to Ice brewing has a low calorific value. This makes it suitable to weight conscious people. Citizen beer, which is a non-malt beer, was also introduced to target lower middle class segment.

Due to the nature of the brewing industry the after sales services were not significantly changed. The respondents felt that the existing beer brands were of optimal quality and required very little improvement.

The introduction of the new brands and features enabled the company to reach new market niches by identifying specific customer needs and providing solutions. This is a good strategy especially because most of the EABL products had reached maturity. The promotion of the new brands enabled the company to invigorate the existing brands as well.

4.5.2 Pricing Strategies

Table 4J-Mean Scores of the Adjustments in Pricing Strategies

Price Variables	No. of Respondents	Absolute Score	Mean Score*
Giving Generous Price Discounts	10	31	3.1
Charging Low Prices to Increase Sales Revenue	10	23	2.3
Setting Low Prices to Enhance Product Volume	10	23	2.3
Setting High Prices to Enhance Product Volume	10	38	3.8
Use of Credit Facilities	10	49	4.9

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

From Table 4J, charging of low prices to stimulate sales revenue and product volume scored an average of 2.3. This is the highest in this category and shows that EABL was determined to maintain market share and to give the consumers value for their money.

Discounts were generally discouraged since the prices had been set at reasonable levels but volume discounts were common. The firm was concerned

From Table 4K, the mean scores for all the variables approximated 1.0. This about bad debts hence the credit facilities were discouraged especially to new customers.

The respondents felt that an increase in advertising expenditure was inevitable to create awareness to potential customers of the existence of the new brands and especially on the traditional brands. However, premium brands such as Tusker Malt and Carlsberg attracted premium pricing. The customers perceive these two brands to be of international quality so pricing was in line with customers' expectations.

4.5.3 Promotion Strategies

Table 4K-Mean Scores of Adjustments in Promotion Strategies

Promotion Strategies	No. of Respondents	Absolute Score	Mean Score*
Advertising Expenditure	10	10	1.0
Emphasising on Brand Suitability to Local Consumers in Advertisements	10	13	1.3
Use of Various Advertising Media	10	10	1.0

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

From Table 4K, the mean scores for all the variables approximated 1.0. This indicates that the company highly increased the respective promotion strategies. The respondents felt that an increase in advertising expenditure was inevitable to create awareness to potential customers of the existence of the new brands and to position the unique features.

Local people making merry in social gatherings and recreation centres were extensively featured in advertisements. Various advertising media have been employed including radio, newspapers, magazines, television, posters, cinema and billboards. Sponsoring of sports such as darts and soccer has been stepped up considerably. Pilsner Ice is also promoted on the Internet where the consumers may use it as a screen saver on their personal computers.

4.5.4 Distribution Strategies

Table 4L-Mean Scores of Adjustments on Distribution Strategies

Distribution Strategies	No. of Respondents	Absolute Score	Mean Score*
Change in Number of Distribution Channels	10	30	3.0
Opening of Branches at strategic points	10	10	1.0

*Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

4.5.5 Cost Structure Strategies

As shown in table 4L, the firm increased the number of branches but this was mainly in the export markets. The company re-entered the Tanzania market in 1997 through direct foreign investment. The number of local distributors has moderately increased. The sales staff has been increased and is assisting the various distributors to reach the various consumers. EABL however, divested from physical distribution as a cost and efficiency improvement measure.

	Respondents	Scores	Scores*
Substitution of domestic for imported inputs	10	40	4.0
Staff Retrenchment	10	10	1.0
Efficiency in Operations	10	17	1.7
Improvement in Technology	10	10	1.0
Capital Investment in State of Art Equipment (Production, Information Technology)	10	20	2.0
Internal Co-ordination	10	26	2.6
Information Exchange Across Activities	10	30	3.0

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

4.5.5 Cost Structure Strategies

Table 4M-Mean Scores of Adjustments in Cost Structure Strategies

Cost Structure Changes	No. of Respondents	Absolute Score	Mean Score*
Change of Organisations Structure	10	10	1.0
Change of Input Sourcing:			
-Substitution of domestic for imported inputs	10	40	4.0
- Substitution of imported for domestic inputs	10	40	4.0
Staff Retrenchment	10	10	1.0
Efficiency in Operations	10	17	1.7
Improvement in Technology	10	10	1.0
Capital Investment in State of Art Equipment (Production, Information Technology)	10	10	1.0
Internal Co-ordination	10	26	2.6
Information Exchange Across Activities	10	30	3.0

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

From table 4M, the change in organisation's structure has a mean score of 1.0 showing that the structure has been changed significantly. The layers of management have been drastically reduced to cut down cost and improve efficiency. Staff retrenchment with a mean score of 1.0 has also been stepped up significantly. The number of staff has been cut down from 6,000 to 1,500 in a period of eight years. A significant change has been undertaken in the hiring of experts, facilitators and consultants. Management experts from the EABL partner, Guinness PLC, have been involved in all major decisions. A United Kingdom based firm- Hay Management Consultants was engaged to spearhead the change process.

In addition, the company instituted further cost cutting measures by contracting out the non-core functions such as staff transport, primary distribution, catering services and clearing and forwarding.

Improvement in technology and investment in capital state of art equipment have an average mean score of 1.0. This means that there has been a major change in terms of the brewing technology, the bottling process and management information system. The Citizen non malt brewing technology is a patented process and is unique worldwide. New bottling lines in Ruaraka and Kampala cost Kshs. 1.0

billion and Kshs. 0.5 billion respectively. A state of art processing equipment was also installed last year at cost of about Kshs. 400 million at Ruaraka.

Efficiency in operation has been greatly improved to give superior return on investments. Recently EABL spend Kshs. 105 million in installation of a carbon dioxide production unit thereby avoiding dependence on Carbacid Investments Limited for the provision of this important input in the manufacture of both beer and bottles.

The substitution of inputs in the brewing process has not been changed much as EABL is still sourcing barley from the Kenyan markets. EABL has a strong contract with the barley growers. EABL supply the exotic seeds, negotiate soft loans on their behalf, and assure them of prices and compensation from losses associated with bad weather. Barley farmers are in return bound by contract to exclusively sell their produce to EABL.

The procurement of agro-chemicals is now being done centrally to take advantage of volume discounts. The unproductive farms are being sold off while shifting from marginal to high productive areas is common. Less Expensive means of transportation of barley are continuously being sourced. Currently, Castle

breweries import all its barley requirements. There has also been moderate change in internal co-ordination and information exchange across activities.

(mean score of 1.7). The prices of products from both EABL

4.5.6 Market Research

and C

Table 4N-Mean Scores of Adjustments in Market Research Strategies

Market Research Change	No. of Respondents	Absolute Score	Mean Score*
Market Research Expenditure to Identify Customers Needs	10	24	2.4
Information on Competitors:			
- Products	10	29	2.9
- Prices	10	14	1.4
- Promotion	10	17	1.7
- Distribution	10	28	2.8
- Production methods	10	30	3.0
- Others	10	43	4.3

Williamson (1977) observed that companies have to carry out changes to

* Mean scores ranked on a 5 point likert-like scale with 1 taken as the highest while 5 is taken as the lowest.

competitors' growth significantly.

A lot of resources have been directed at information gathering on competitors especially with regard to price (mean score of 1.4) and promotion (mean score of 1.7). The prices for directly competing products from both EABL and Castle Breweries are about the same.

Identification of customer needs has a mean score of 2.4 meaning that it has been moderately increased. Investment in staff training and development has only been slightly changed and the respondents felt that more attention was needed to address these issues. Monitoring information on competitors' products, distribution, production methods and others such as accessibility to finance have an average mean score of about 3.0 which means that not much emphasis has been given to them. Locally incorporated advertising and research agencies such as Research International, Saatchi and Saatchi were contracted.

Competitor intelligence is also of great significance so that a player is able to anticipate the future strategies the competitor is likely to undertake and counter them effectively.

Williamson (1997) observed that companies have to carry out changes to control various bottlenecks. Companies that control bottlenecks can affect their competitors' growth significantly.

4.5.7 Market Predisposition

Table 4 P-Mean Scores of Adjustments in Market Predisposition Initiatives

Market Predisposition	No. of Respondents	Absolute Score	Mean Score*
Focus on Specific Markets/Segments	10	10	1.0
Initiative to Seek New Domestic Markets	10	10	1.0
Initiative to Seek New Foreign Market Niches	10	10	1.0
Development of Brands to Suit the Budgets of Potential Customers	10	32	3.2
Identifying and Targeting Buyers of Brands	10	25	2.5

* Mean scores ranked on a 5 likert like scale with 1 as the highest and 5 as the lowest.

From table 4P, the mean score of 1.0 is interpreted to mean that the firm has significantly increased their focus on certain market segments. Such segments

include the consumers looking for high quality beer and at the same time watching their weight. An example of this include, the "Win a Pub" competition where the

The mean score of 1.0 reflects that the firm has considerably increased the initiative to seek new domestic markets. The respondents observed that the increase in advertising expenditure and other marketing activities are attempts to seek new markets. The mean score of 1.6 is a very significant one meaning that the firm has increased its activities at the foreign markets. The development of brand to suit the budget of potential customer has a mean score of 3.2. This means that the company has slightly increased this initiative. Research and development is very important to an organisation as the discovery of innovative products would give a company a leadership position.

The future plans to enter into the opaque beer category will enable the company to attract consumers in the C1 and C2 segments.

Identification and targeting of buyers of the company brand is at score 2.5 meaning that the firm is moderating taking steps towards characterising the consumer needs. The respondents said that the company is doing a lot of direct and personal selling within mini competitions being organised at busy drinking places.

The other strategy the company has adopted is the high profile competitions. An example of this include, the "Win a Pub" competition where the total expenditure went beyond Kshs. 200 million.

Based on the findings, the chapter gives some recommendations on how the firms can further improve their strategic responses as the environment keeps on changing. The limitations of the study are then discussed and the chapter ends with suggestions on the areas for further research.

5.1 SUMMARY

The liberalisation of the brewing industry means that the firms in the industry are operating in a competitive environment. The competitive forces identified in the study include the direct competitors, existing substitutes and the power of the suppliers as being very significant.

The powers of the buyers and potential entrants were not as significant according to the respondents. The main direct competitors have been identified as Castle Breweries Limited and imported substitute products such as Heineken and Budweiser.

CHAPTER V

5.0 SUMMARY AND CONCLUSIONS

This chapter summarises the findings of this research project as regards the two main objectives of the study. Based on the findings the chapter gives some recommendations on how the firms can further improve their strategic responses as the environment keeps on changing. The limitations of the study are then discussed and the chapter ends with suggestions on the areas for further research.

5.1 SUMMARY

The liberalisation of the brewing industry means that the firms in the industry are operating in a competitive environment. The competitive forces identified in the study include the direct competitors, existing substitutes and the power of the suppliers as being very significant.

The powers of the buyers and potential entrants were not as significant according to the respondents. The main direct competitors have been identified as Castle Breweries Limited and imported substitute products such as Heineken and Budweiser.

The substitute products have been identified as various Wines, Spirits, Soft Drinks, Hot Drinks and Fruit Juices. The down market Opaque Alcoholic Drinks also forms some of the alternatives available to consumers.

The power of suppliers is mainly being exercised by the Novo-Nordisk group in Germany, which supply the industrial enzymes to EABL. Water is a major component of beer and is also important in cooling down the plant. Water suppliers are the municipalities who charge EABL a rate higher than the other consumers. Yeast and Hops are currently being imported from temperate countries. EABL has to compete with the other global players in the acquisition of these ingredients.

Barley is supplied by contracted farmers who place heavy demands on EABL in terms of supply of well researched seeds, soft loans, drought losses compensations, assured prices and so on. EABL has made changes, which are associated with its mission. Most changes relate to various improvements in the technologies so as to make competitive products, hence changes in their basic products by adding unique features.

There are also deliberate moves to penetrate new markets and change the company philosophies, all of which are aimed at serving the customers better and increasing sales. The priority of the company's goals has been significantly

Cost structure strategies involving changes in the management structure and staff retrenchment have been undertaken. Capital investment in state of art technologies in production and information gathering has improved efficiency and resulted in better decision making. Market predisposition strategies have been significantly altered to identify the needs of the various segments of the market and developing brand extension for such niches. More innovative ways of reaching the new domestic markets have been designed including the use of the Internet.

changed. Before liberalisation, the company's priority goals were growth and profitability. After liberalisation, survival is the most important followed by growth and profitability.

The increase in efficiency and betterment of management decision has however, resulted in superior profitability. The company's objectives of technological leadership, competitive position and return on investment are now the most important ones while profitability was the most important objective before liberalisation.

5.2 CONCLUSION

The company policies have also been significantly changed with strengthening of the marketing function, research and development and operations. Personnel, purchasing and financial policies have also been reviewed though not as much as marketing and research and development.

The strategic variables have also been adjusted to meet the challenges of competition. The most adjusted strategic variables were products, promotion, cost structures, Market research, Research and development and market predisposition. On products there has been numerous efforts to differentiate them through unique features and promotion.

Cost structure strategies involving changes in the management structure and staff retrenchment have been undertaken. Capital investment in state of art technologies in production and information gathering has improved efficiency and resulted in better decision making. Market predisposition strategies have been significantly altered to identify the needs of the various segments of the market and developing brand extension for such niches. More innovative ways of reaching the new domestic markets have been designed including the use of the Internet.

5.2 CONCLUSION

EABL has been remarkable in responding to the threats posed by increased competition occasioned by liberalisation. The company undertook substantial adjustments in various strategic variables to fight off the competition. So far EABL has not only managed to defend its market share but has substantially improved on profitability and more importantly on return on investment and competitiveness.

Changes in product strategies were instituted widely with more emphasis on introduction of new brands and unique brand features. The company set competitive prices in order to increase both sales revenue and product volume.

The advertising expenditure was considerably increased to reach more consumers.

Local consumers in various social gatherings were featured in various media. To intensify distribution, foreign market distribution centres were opened.

The company also undertook various cost and efficiency control measures such as coming up with a leaner organisation structure, staff retrenchment, investment in state of art equipment and improvement in technology. Management information system tailored towards the customer needs and competitor intelligence was put in place. The organisation laid a lot of emphasis on hiring various management experts and consultants to facilitate the change process.

Identification of specific market segments both locally and internationally was greatly enhanced while every strong branding messages were developed targeting the identified niches.

Other domestic companies have a lot to learn from the response put in place by EABL. Domestic firms understand the domestic markets better than the incoming multinationals. Therefore, such firms should be able to leverage such advantages to fight off the incoming competitors despite their international experience and vast resources.

5.3 RECOMMENDATIONS

EABL has to continuously scan the environment to identify threats and opportunities. The firm should therefore rectify its weakness and build on its strengths to take advantages on such opportunities and deflect the threats.

The continuous scanning of the environment will enable the firm to proact rather than react to the various changes. Management information system should be well developed, as this will enable the creation of opportunities and reinvention of investment climate.

EABL must in future avoid being taken unawares by competition, as it was apparent with Castle Breweries. The Castle Breweries Limited activities in the surrounding foreign markets need close monitoring as it is likely to start putting more emphasis there, subsequently affecting the growth of EABL in these markets.

5.4 LIMITATIONS OF THE RESEARCH

Due to time constraints not all strategic variables were adequately covered. The study looked at changes in the competitive environment. Other environmental factors, such as political, legal and economic factors were not looked at and they could as well have had an impact on competition itself. Some respondents were

reached through 'drop and pick later' method. This may have affected the interpretation of the questionnaire and hence the quality of the answers. Although, the sample size of ten executives has sufficed given the time and organisational restrictions, a better view would have emerged had it been larger.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

1. The study looked at the various responses but not the processes of putting them to practice. Another study may be essential to determine how change was carried out and managed.
2. Another study may also be carried to discover what strategies the other players adopted to gain market share from East African Breweries Limited, a dominant player in the industry.
3. The beer market has been contracting for the last ten years. It would be interesting to document the factors responsible for this trend and the changes in the consumption habits.

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APPENDIX 1

QUESTIONNAIRE

TO BE ANSWERED BY SENIOR MANAGEMENT PERSONNEL OF
EAST AFRICAN BREWERIES LIMITED.

SECTION I PERSONAL DETAILS

1. Position in the company
2. Department
3. Years of experience in the company 0-5 () 5-10 () over 10 () (tick)

SECTION II - COMPETITIVE APPENDICES

1. Nature of competition the company faces (tick one)

High threat Moderate Low

2. Indicate the seriousness of the following competitive forces accordingly
(Tick One)

	Most				Least
	1	2	3	4	5
(a). Direct Competitors	()	()	()	()	()
(b). Potential Entrants	()	()	()	()	()
(c). Existing Substitutes	()	()	()	()	()
(d). Power of Suppliers	()	()	()	()	()
(e). Power of the buyers	()	()	()	()	()

SECTION III APPENDIX 1 RESPONSES

1. Market Emphasis (tick here) **QUESTIONNAIRE**

TO BE ANSWERED BY SENIOR MANAGEMENT PERSONNEL OF
EAST AFRICAN BREWERIES LIMITED.

High income

Moderate income

SECTION I: PERSONAL DETAILS

1. Position in the company
2. Department
3. Years of experience in the company 0-5 () 5-10 () over 10 () (tick)

SECTION II - COMPETITIVE CONDITIONS

1. Nature of competition the company faces (tick one)

2. ☐ Cut throat ☐ Moderate ☐ Low

2. Indicate the seriousness of the following competitive forces accordingly
(Tick One)

Most

Least

	1	2	3	4	5
(a). Direct Competitors	()	()	()	()	()
(b). Potential Entrants	()	()	()	()	()
(c). Existing Substitutes	()	()	()	()	()
(d). Power of Suppliers	()	()	()	()	()
(e). Power of the buyers	()	()	()	()	()

SECTION III - STRATEGIC RESPONSES

1. Market Emphasis (tick here)

a) Domestic

- High income

- Moderate income

- Low income

b) Foreign

- High income

- Moderate income.....

- Low income.....

2. Please indicate whether your company has changed focus in the following. (tick)

a) Basic product () Yes () No ()

b) Domestic markets () Yes () No ()

c) Foreign markets () Yes () No ()

If yes state the nature of the change (tick)

	Negligible		Considerable		Significant Change
	1	2	3	4	5
Before liberalisation:					
a) Basic product	-----		-----		-----
(i). Profitability			()	()	()
b) Domestic markets	-----		-----		-----
(ii). Return on investment			()	()	()
c) Foreign markets	-----		-----		-----
(iii). Competitive position			()	()	()

3. Among the following goals, please indicate the order of importance by placing (v) in the right box.

	Least Important					Very Important
	1	2	3	4	5	
Before liberalisation						
(i) Survival	()	()	()	()	()	
(ii) Growth	()	()	()	()	()	
(iii) Profitability	()	()	()	()	()	
After liberalisation						
(i) Survival	()	()	()	()	()	
(ii) Growth	()	()	()	()	()	
(iii) Profitability	()	()	()	()	()	

4. Among the following objectives, please indicate the order of

importance (from the least to the most important) in your firm before and after liberalisation of the industry. (tick)

Before liberalisation:

1 2 3 4 5

(i). Profitability ☐ ☐ ☐ ☐ ☐

(ii). Return on investment ☐ ☐ ☐ ☐ ☐

(iii). Competitive position ☐ ☐ ☐ ☐ ☐

(iv). Technological position ☐ ☐ ☐ ☐ ☐

(v). Productivity ☐ ☐ ☐ ☐ ☐

(vi). Employee relation ☐ ☐ ☐ ☐ ☐

(viii). Employee development ☐ ☐ ☐ ☐ ☐

After liberalisation 1 2 3 4 5

(i). Profitability ☐ ☐ ☐ ☐ ☐

(ii). Return on investment ☐ ☐ ☐ ☐ ☐

(iii). Competitive position ☐ ☐ ☐ ☐ ☐

(iv). Technological position ☐ ☐ ☐ ☐ ☐

(v). Productivity ☐ ☐ ☐ ☐ ☐

(vi). Employee relation ☐ ☐ ☐ ☐ ☐

(viii). Employee development () () () () ()

5. Please indicate the extent of change in any of the following policies in response to competition.

(a) For each of the following policies, please tick (✓) only one of the respective numbers to indicate (as per the key) what adjustments have been adopted in response to competition.

KEY

- 1=Very much changed
- 2=Moderately changed
- 3=Not changed

	1	2	3
(i). Personnel policy	()	()	()
(ii). Purchasing policy	()	()	()
(iii). Financial policy	()	()	()
(iv). Marketing policy	()	()	()
(v). Research and Development Policy	()	()	()
(vi). Operation policy	()	()	()

6. For each of the following competitive responses, please tick (✓) only one of the respective numbers to indicate (as per the key) what adjustments have been adopted in response to competition.

High adjustment	Little adjustment				
PRODUCT	1	2	3	4	5
1. Improvement of Brand quality standard	()	()	()	()	()

1. Introduction of new Brands	()	()	()	()	()
2. Introduction of unique Brand features	()	()	()	()	()
3. Offering of any after-sales Services	()	()	()	()	()

PRICE

	Very important			Least important	
	1	2	3	4	5
1. Giving generous prices	()	()	()	()	()
Discounts	()	()	()	()	()
2. Charging low prices to Increase sales revenue	()	()	()	()	()
3. Setting low prices to Enhance product volume	()	()	()	()	()
4. Setting high prices to Enhance product volume	()	()	()	()	()
5. Use of credit facilities	()	()	()	()	()

PROMOTION

	Major Change			Least change	
	1	2	3	4	5
1. Advertising expenditure	()	()	()	()	()
2. Emphasising on Brand Suitability to local consumers In advertisements	()	()	()	()	()

5. Improvement in technology

3. Use of various

6. Advertising media

() () () () ()

DISTRIBUTION

Dramatic increase

No increase

1 2 3 4 5

1. Change in number of
distribution channels

() () () () ()

2. Opening of branches at
strategic points

() () () () ()

COST STRUCTURE

High change

No change

1 2 3 4 5

1. Change of organisation structure

() () () () ()

2. Change of input sourcing:

- Substitution of
domestic for imported
inputs

() () () () ()

- Substitution of
Imported for domestic
Inputs

() () () () ()

High

Low

1 2 3 4 5

3. Staff retrenchment

() () () () ()

4. Efficiency in operations

() () () () ()

5. Improvement in technology	()	()	()	()	()
6. Capital investment in state of art equipments (production, information technology)	()	()	()	()	()
7. Internal co-ordination	()	()	()	()	()
8. Information exchange across activities	()	()	()	()	()

MARKET RESEARCH AND STAFF DEVELOPMENT

	Highest increment			Least increment	
	1	2	3	4	5
1. Marketing research expenditure to identify customer needs	()	()	()	()	()
2. Information on competitors'					
- Products	()	()	()	()	()
- Prices	()	()	()	()	()
- Promotion	()	()	()	()	()
- Distribution	()	()	()	()	()
- Production methods	()	()	()	()	()
- Others	()	()	()	()	()

APPENDIX II

3. Investment in training and development programs

() () () () ()

4. Hiring of experts/
Facilitators/Consultants

() () () () ()

MARKET PREDISPOSITIONS

TRADING PROFIT

	(Kshs '000's)	Highly Increased			Least Increased	
		1	2	3	4	5
1991	8,976,384.00					
1. Focus on specific market segments	2,973,994.00	()	()	()	()	()
1993	12,836,504.00					
2. Initiative to seek new domestic markets	16,967,422.00	()	()	()	()	()
1995	20,170,961.00					
3. Initiative in seeking new foreign market niches	22,351,009.00	()	()	()	()	()
1996	2,952,678.00					
4. Development of Brands to suit the budgets of potential customers	25,778,213.00	()	()	()	()	()
1999	23,248,788.00					
5. Identifying and targeting Buyers of your Brands		()	()	()	()	()

Source: Annual Report and Accounts, 1991-1999
Nairobi Stock Exchange

APPENDIX II

EAST AFRICAN BREWERIES RECORDED PERFORMANCE

YEAR	TURNOVER (Kshs '000's)	TRADING PROFIT (Kshs '000's)
1991	8,070,384.00	348,137.00
1992	9,073,094.00	372,089.00
1993	12,036,504.00	561,396.00
1994	16,967,422.00	1,030,200.00
1995	20,170,961.00	1,515,352.00
1996	22,351,009.00	1,650,964.00
1997	22,952,678.00	1,373,890.00
1998	25,778,213.00	2,218,795.00
1999	25,248,788.00	2,360,955.00

Source: Annual Report and Accounts, 1991 -1999
Nairobi Stock Exchange.